

**SOUTHERN CALIFORNIA GAS COMPANY
REQUESTING REAUTHORIZATION OF THE
CUSTOMER INCENTIVE PROGRAM**

(A.16-12-010)

(DATA REQUEST ORA-09)

**Date Requested: August 22, 2017
Date Responded: September 5, 2017**

QUESTION 1:

In response to data request ORA-01 Question 1(b) in this proceeding, SoCalGas compared the fundamental programmatic changes between the Current Programs and the proposed CIP in table form.¹ In response to data request ORA-01 Question 1 (e), SoCalGas proposes that “if the Application is denied, that the current Programs continue as modified in the Resolution.”² In response to data request ORA-01 Question 1(f) in this proceeding, SoCalGas states that if the request in A.16-12-010 is granted, the new tariff will be GO-CIP and that the “program will be available to any existing or new nonresidential customers who qualify under the CIP program criteria.”³ At page 1 of above subject Supplemental testimony, SoCalGas states that the proposed CIP “will offer an incentive to customers that is fully funded by shareholders.”⁴ With these in mind, please respond below:

(a) Please confirm that the proposed CIP “customers” in the statement from Supplemental testimony identified above refer to only nonresidential customers, either existing or new, regardless of whether they are core or noncore customers, located in the SoCalGas territory, who meet the CIP program criteria as approved by the Commission. If this is not an accurate statement, then please identify what makes it an inaccurate statement and then provide a correct statement that would be accurate.

(b) Please define the meaning of the phrase “fully funded by shareholders” in the above statement, or confirm that it means “SoCalGas shareholders would be at risk **for any shortfalls resulting from any discounts** to customers who contracted for negotiated discount rates and optional tariffs,” (bold added for emphasis) consistent with D.98-01-040, which adopted the implementing guidelines for the Core Pricing Flexibility Program,⁵ regardless of whether the Commission grants or denies the Application as requested, and instead, reauthorizes the continuation of the current Program as modified in the Resolution. If not, then please explain.

(c) The fundamental programmatic changes between the Current programs and the proposed CIP in table form provided by SoCalGas in response to data request ORA-01 Question 1(b), is partially reproduced below for the 2nd and 3rd row items from the top of the table in the first column heading “Proposed Modification.” The 2nd row item is “Rate Discount Offering” while the 3rd row item is “Funding of the Public Purpose Surcharge (PPP).” SoCalGas indicates that the rate discount offering is offered only to core customers under “Current Programs” while the rate discounts will be offered to both core and noncore under the “Proposed CIP.” For the “Funding of PPP Surcharge,” SoCalGas indicates “None” under the 2nd column heading “Current Programs” and “Shareholder Funded” under the 3rd column heading “Proposed

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Modified Program called CIP.” The above described portion of the table from the response is reproduced below:

Proposed Modification	Current Programs	Proposed Modified Program called CIP	Rationale and/or Reference to Application/Testimony
Rate Discount Offering	Offered to core customers only	Offered to core and noncore customers	Proposal to offer the rate discount option to both customer classes may increase program participation from noncore customers. See <i>generally</i> , Chapter II, Sections II & IV.
Funding of PPP Surcharge	None	Shareholder funded	See the Response to Question 3. Chapter II, Section II.E; Chapter III, Section II.

Please explain:

i. How the above described response on rate discount offering under “Current Programs” is consistent with Resolution G-3515 at page 4 where the term “discounts” is used and states that “The Red Team program is a state-sponsored economic development effort intended to promote the creation and retention of business in California. It authorizes SoCalGas to offer discounts to customers to keep them in state and allows utility shareholders to keep all incremental revenues for five years. To receive the discount, customers must sign an affidavit stating that the contract structure was a material factor in their decision to participate.” If the term “discount” for the Red Team program as described means something other than a “rate discount offering,” please so state and explain what “discount” means for the Red Team program.

ii. The meaning of “None” as described, and indicate the current source of funds for any revenue shortfalls in the funding of the PPP surcharge resulting from the increased throughput under “Current Programs.”

iii. The meaning of “Shareholder-funded” as described and whether this falls within the meaning of the phrase “fully funded by shareholders” above; and

iv. If the Application is denied, and the Current Programs continue instead as may be modified by the Commission, then please explain the funding of

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the PPP surcharge for the increased throughput if “none” means no funding from SoCalGas shareholders under “Current Programs.”

RESPONSE 1:

- (a) The proposed CIP is for nonresidential customers.
- (b) SoCalGas objects to this request on the grounds that it is vague and ambiguous. Subject to its objections, SoCalGas responds as follows: The phrase “fully funded by shareholders” as used in the context of page 1 of its Supplemental Testimony means that SoCalGas shareholders will fund the incentives for the proposed CIP program.
- (c) Please see the responses below:
 - i. The Red Team program may be available to eligible SoCalGas’ core and non-core customers. For SoCalGas’ core customers who are eligible for the Red Team program, they may receive either a rate discount or an upfront cash incentive. For SoCalGas’ non-core customers, they would be only eligible for upfront cash incentives.
 - ii. Currently ratepayers receive the benefit of additional PPP revenue that occurs when a contract is signed. This benefit is linked to the amount of actual increased usage a customer has after the contract is signed. Under the CIP, the ratepayers will continue to benefit from the additional PPP revenue, but shareholders will provide the ratepayers with an added benefit by providing a guaranteed amount in the PPP funds throughout each contracts’ duration, which will be based on the expected revenue that should be produced by the new contracts.
 - iii. SoCalGas objects to this request on the grounds that it is vague and ambiguous and is compound. Subject to its objections, SoCalGas responds as follows: The phrase “Shareholder funded” as used in SoCalGas’ response to ORA-01, Question 1(b), third row means SoCalGas shareholders will contribute to the PPP account any shortfalls from the expected additional PPP revenue as described in Section IV of SoCalGas’ Supplemental Testimony. The phrase “fully funded by shareholders” was used to describe the incentives that will be offered to customers as part of the CIP. Therefore, this request takes these terms out of context. However, to clarify, SoCalGas’ shareholder will fully fund the PPP any shortfalls resulting from the proposed CIP throughout each contracts’ duration as described in Section IV of SoCalGas’ Supplemental Testimony.

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- iv. If the application is denied and the Current Programs continue, then ratepayers will continue receiving the actual extra revenue that results from new contracts being signed under the Current Program. SoCalGas shareholders will not be required to fund the PPP.

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QUESTION 2:

In the above Application, at Appendix A: Tariff (Schedule GO-CIP), Special Condition 1 states that “a customer is defined as a new gas load not previously served, or a reconnected load that has been off the SoCalGas system for at least 12 months. New usage is defined as new gas load to the SoCalGas system either through a new or existing meter. Incremental usage is defined as additional gas load above the baseload volume as established and agreed to...Baseload volume is defined as usage in the prior 24-month period to signing the Agreement.” SoCalGas testimony states that it proposes to offer the CIP incentive to customers who either (a) have an active core or non-core gas account or (b) concurrently apply for new service with SoCalGas, and meet other criteria, including commitment to a utilization level through an established Minimum Annual Quantity (MAQ). The calculation of the MAQ is described by SoCalGas in testimony:

- SoCalGas will take the costs of the contract plus the authorized rate of return and prorate that amount for the contract period to determine an annual dollar value.
- That annual dollar value will be converted into therms, using the current gas rates at the time that calculation is made to get to an annual therm number.
- The annual therm number will be the MAQ the customer must use each year of the contract. With these in mind, please respond below:

(a) Please confirm that “active core” customers means only nonresidential customers in the above statement.

(b) Please clarify whether a customer that represents “a reconnected load that has been off the SoCalGas system for at least 12 months” and who will use an existing meter, is considered a new load customer or an existing customer and explain how the discount incentive would apply under the proposed CIP.

(c) Please explain how a new customer (not previously served), and without any usage history of prior 24-month period to establish baseload volume, would establish baseload, and describe how the incentive discount would apply, including whether the total new load would be considered as 100% incremental usage to which the discount would apply.

(d) Please explain the relationship of the baseload volume to the “Minimum Annual Quantity” (MAQ) to be established under a contract with the customer.

(e) Please confirm that the calculation of the MAQ under the proposed CIP does not

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consider the customer's established baseload volume.

(f) Please confirm that the MAQ based on the SoCalGas calculation will always be above or higher than the customer's established baseload volume, and if not, please explain.

(g) Please explain the relationship, if any, between meeting the MAQ and the showing of actual gas therms saved by a project's energy efficiency on an ongoing basis.

(h) Please explain how SoCalGas curtailments and/or outages can potentially impact meeting the MAQ.

(i) Please explain whether adjustments will be made to incentives with customer failure to meet the MAQ due to curtailments or outages.

RESPONSE 2:

(a) Yes.

(b) SoCalGas objects to this request on the grounds that it is compound and the phrase "new load customer" and "existing customer" are vague and ambiguous as used in this context. Subject to its objections, SoCalGas responds as follows: Based on the hypothetical provided, a baseline would be set equal to an average of 24 months of existing load. The CIP rate discount would only apply to the load above the baseline. The CIP upfront cash incentive maximum would be set by the load above the baseline.

(c) SoCalGas objects to this request on the grounds that it is an incomplete hypothetical, vague and ambiguous and compound. Subject to its objections, SoCalGas responds as follows: If the customer has a mix of CIP and non-CIP equipment, the baseload would be set by the expected usage of the non-CIP equipment and then the load over the baseload would be discounted. If the customer has only CIP eligible equipment, then the baseload would be set at zero and it would be all considered incremental usage.

(d) If a customer has an existing baseload, the MAQ would consist of the baseload volume plus the incremental usage required.

(e) The calculation of the MAQ under the proposed CIP does consider the customer's established baseload volume. Please see the response to Question 2(d).

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- (f) Yes, the MAQ will always be higher than the customer's baseload.
 - (g) There is no relationship between meeting the MAQ and the actual energy savings of a project. The criteria for the CIP is meant to govern the energy or emissions reducing standards.
 - (h) The contract states that "MAQ adjustments may be made to the extent consumption is reduced specifically due to intrastate curtailment or an event of force majeure, as defined in Rule No. 1, on either the interstate or intrastate systems."¹
 - (i) Please see the response to Question 2(h) above.

¹ Appendix B, page 7

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QUESTION 3:

In the above Application at Appendix A: Tariff (Schedule GO-CIP), Special Condition 3 states “Discounts for the Customer Incentive Program rate schedule can be volumetric rate discounts or one-time payments. These discounts may be offered in addition to DSM incentives, line extension allowances, core transport agent incentives, third party incentives, third party financing, etc.”

(a) As referenced in the above statements, please describe in detail the following additions to the proposed CIP discounts:

- i. The SoCalGas DSM incentives
- ii. The line extension allowances
- iii. The core transport agent incentives
- iv. The third party incentives
- v. The third party financing

(b) Under the Current programs, please explain whether the above described items (i) through (v) are also offered in addition to the rate discounts or one-time payments to eligible customers. If so, please cite reference to the current tariffs where these are shown.

RESPONSE 3:

- a. SoCalGas objects to this request on the grounds that it misstates Appendix A Tariff (Schedule GO-CIP), Special Condition 3, attached to the Application. Subject to its objections, SoCalGas responds as follows: The proposed CIP incentive may be offered in addition to these currently existing discounts. DSM refers to the CPUC Demand Side Management Incentives, such as energy efficiency incentives.² Line Extension allowances are found in Rule 20. Core transport agent incentives are incentives provided by a customer’s agent under the core transportation tariff. Third party incentives are incentives that are provided by a party other than the customer or SoCalGas, such as a vendor. Third party financing is financing other than the customer or SoCalGas, such as a bank.

² See http://www.cpuc.ca.gov/Demand_Side/

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- b. SoCalGas objects to this request on the grounds that it misstates Appendix A Tariff (Schedule GO-CIP), Special Condition 3, attached to the Application. Subject to its objections, SoCalGas responds as follows: The Current Programs are offered in addition to the currently existing discounts stated above. See GO-ET, special condition 5 and GTO-ET, special condition 3

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QUESTION 4:

In the above Application, at Appendix A: Tariff (Schedule GO-CIP), Section D. Rates states "...The discount shall apply only to the transmission component of the rate and shall not cause the rate to drop below the CPUC-authorized floor." In D.97-07-054, which authorized the current CPFP, the Commission stated that: We would prefer to authorize optional tariff offerings with more details than SoCal has provided in its application. However, because shareholders will be entirely at risk for the revenue shortfalls, we will allow SoCal to negotiate discounts and offer optional tariffs, provided that the price floor is above class average long-term marginal cost (LRMC) and allow the tariffs to be effective upon 20 days after filing unless protested on the basis that the price floor is below class average LRMC. On top of the CIP discount rate, SoCalGas also proposes an RNG adder completely funded by shareholders that? will be 5% off the transmission charge for every therm of RNG used above the baseline volume, but only if the customer meets the MAQ.10

With these in mind, please respond below:

- (a) Please define the "CPUC-authorized floor," explain how this floor is established and identify the cost elements included in the "CPUC-authorized floor" as used in the above statement from Appendix A.
- (b) Please define the "transmission component of the rate" and identify the cost elements included in the "transmission component of the rate" in the above statement from Appendix A.
- (c) Please explain the connection, if any, between the "CPUC-authorized floor" and the SoCalGas class average long-term marginal cost (LRMC) if different from those stated in D.97-07-054 under the proposed CIP.
- (d) Please provide the current applicable price floor and corresponding class average LRMC under the current programs as described in D.97-07-054.¹¹
- (e) Please confirm that the discounted rate under the proposed CIP cannot be below the CPUC-authorized floor.
- (f) Please explain whether it is possible for the discounted rate under the proposed CIP to drop below the CPUC-authorized floor, and whether that possibility is included in the calculation.

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(g) Please explain whether it is possible for the discounted rate under the proposed CIP to drop below the CPUC-authorized floor after adding in the proposed RNG adder.

(h) Please explain whether the proposed RNG adder discount will be offered by SoCalGas regardless of the RNG provider used by the customer.

RESPONSE 4:

- (a) SoCalGas uses the terms “CPUC-authorized floor”, “the class average long-term marginal cost (LRMC)”, and “LRMC Floor Rate” to mean the same thing. SoCalGas’ Preliminary Statement XI F.2 (available at the following link: <https://www.socalgas.com/regulatory/tariffs/tm2/pdf/PS-XI.pdf>) describes the cost elements included in the “CPUC-authorized floor” or “class average LRMC” under the heading “Class Average Long Run Marginal Cost (LRMC) Floor Rates”.
- (b) The transmission component of the rate is the transportation charge of the customer’s otherwise applicable tariff. It does not include, for example, the gas procurement charge. SoCalGas’ Preliminary Statement XI F.2 mentioned above identifies the cost elements included in the transportation component of the rate.
- (c) Please see the response to Question 4(a) above.
- (d) As mentioned in the response to Question 4(a), “the current applicable price floor” and “corresponding class average LRMC under the current programs” are the same thing. SoCalGas’ Preliminary Statement XI F.2.b contains the requested data under the column titled “LRMC Floor Rate”.
- (e) Under PBR, the discount cannot be under the price floor.
- (f) Yes, it is possible for the discount to drop below the CPUC authorized floor. However, the calculations developed compare the discount so that it does not drop below the authorized floor.
- (g) Please see the response to Question 4(e) above.
- (h) Yes, the RNG adder discount will be offered regardless of the provider.

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QUESTION 5:

In Supplemental Testimony, SoCalGas provided selected information on customer experience in Attachment A. For the customers described in Attachment A, please explain:

- (a) If the customers have availed of the current programs
- (b) If energy efficiency was a requirement for the type of natural-using technology customers applied for.
- (c) The start of operations with the technology each customer applied for,
- (d) The type of incentives each customer enjoys under the current programs.
- (e) Whether the customers in Attachment A can still become eligible for the proposed CIP if approved by the Commission.

RESPONSE 5:

- (a) Yes, the customers (Houweling Nurseries and Weber Metals, Inc.) referenced in Attachment A participated in the current programs.
- (b) Yes, in both cases the customers provided an element of energy efficiency as part of participation in the current programs.
- (c) Houwelings started in January 2012, while Weber Metals is still under construction.
- (d) Both customers selected the upfront cash incentive.
- (e) The customers in Attachment A would still be potentially eligible for the proposed CIP if they purchased new, additional CIP eligible equipment. The expectation is the equipment already funded under the current programs would remain with the current programs.

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QUESTION 6:

In response to ORA-01 Question 6(b), SoCalGas provided a list of incentive payments, by year, made to customers since 2005.

(a) Please confirm that the incentive payments by SoCalGas listed in the above response pertain only to those made under the Core Pricing Flexibility Program, and if not, please explain whether these include all incentives paid under all of the current programs.

(b) Please provide the corresponding amount of shareholder incentives obtained in each year per program and cite reference to the SoCalGas advice letter approval for those shareholder incentives.

(c) Please confirm that the incentive payments by SoCalGas as listed in each year matches the cost incurred for the current program or programs by the SoCalGas shareholders each year. If these incentive payments do not match such costs incurred by shareholders, please explain why not

RESPONSE 6:

(a) The incentive payments are for both the Core Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Program.

(b) Please see the response to ORA-05, Question1.F.c.

(c) Yes, the incentive payments match the costs incurred by shareholders for programs.